

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of

THE APPLICATION OF THE BRONSTON WATER)
ASSOCIATION, INC., A NON-PROFIT COR-)
PORATION INCORPORATED PURSUANT TO)
CHAPTER 273 OF THE KENTUCKY REVISED)
STATUTES, WHICH HAS ITS PRINCIPAL PLACE)
OF BUSINESS IN PULASKI COUNTY, KENTUCKY)
FOR (1) A CERTIFICATE OF PUBLIC CONVEN-)
IENCE AND NECESSITY, AUTHORIZING AND) CASE NO. 8159
PERMITTING SAID ASSOCIATION TO CONSTRUCT)
A WATERWORKS CONSTRUCTION PROJECT CON-)
SISTING OF IMPROVEMENTS TO THE EXISTING)
WATERWORKS SYSTEM OF THE ASSOCIATION,)
AND (2) APPROVAL OF THE PROPOSED PLAN)
OF FINANCING SAID PROJECT.)

O R D E R

Preface

On March 2, 1981, the Bronston Water Association, Inc. (hereinafter referred to as the Utility), filed with this Commission its duly verified Application seeking a Certificate of Public Convenience and Necessity authorizing the construction of improvements to its existing water distribution system, ratification of its existing rates, and approval of its plan for financing the proposed improvements.

The Commission, by order entered March 24, 1981, set this matter for public hearing at the Commission's offices in Frankfort, Kentucky, on April 1, 1981. All parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes, but no motions to intervene were filed.

This Commission, by order entered April 21, 1975, in Case No. 6209, directed the Utility to deposit a part of its revenues to an account to be used for construction of an elevated storage tank.

The Utility now seeks Commission approval to construct the said storage tank and related improvements.

A copy of a letter from the Sanitary Engineering Division of the Kentucky Department for Natural Resources and Environmental Protection approving the plans and specifications for the proposed construction is on file with this Commission.

Findings In This Matter

The Commission, after a review of the record and being advised, is of the opinion and finds that:

1. Public convenience and necessity requires the construction of certain improvements to the Utility's existing water distribution system in Pulaski County, Kentucky, as set forth in the application and exhibits filed in this matter.

2. The construction project by the Utility and herein certificated includes a 200,000 gallon storage tank, 4000 feet of 8-inch water line and an access road to the proposed tank, at a total project cost of approximately \$212,200.

3. Any construction deviations from the contract plans and specifications, approved herein, which could adversely affect service to any customer should be subject to the prior approval of this Commission.

4. The Utility has secured \$281,000 for financing the proposed construction as follows: a \$209,000 FmHA loan and \$72,000 in accumulated savings⁽¹⁾ for this project. Further, that an exceptionally favorable market for obtaining bids has placed the Utility

(1) As directed by Order entered April 25, 1975, in Case No. 6209.

in a position wherein additional improvements can be planned. The FmHA recognizes the need for improvements in the Utility's service area and has agreed that the surplus for the current project, amounting to approximately \$68,800, can be used for additional improvements. The Commission, therefore, finds that approval of the total financing of \$281,000 should be granted at this time. The Commission, however, qualifies this approval with the requirement that plans for the additional work be submitted for Commission approval before construction thereon is begun.

5. The financing, as proposed by the Utility, is for lawful objects within the corporate purposes of the Utility, is necessary and appropriate for and consistent with the proper performance by the Utility of its service to the public and will not impair its ability to perform that service.

6. The Utility's annual expenses including those of depreciation and debt service on both its existing and proforma long term debt are estimated to be approximately \$87,400 during calendar year 1981.

7. The Utility's existing rates provided annual revenues of \$91,640 from approximately 545 customers receiving water service during the twelve months ending December 31, 1980. Further, that the said rates should produce annual revenues of approximately \$91,640 for the twelve months ending December 31, 1981, after inclusion therein for anticipated customer growth and miscellaneous income. The Commission further finds that the Utility should realize a net income of approximately \$4,240 for this period after payment of its projected total expenses of \$87,400 for said period.

8. The Utility should furnish the Commission with duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within sixty (60) days of the date that construction is substantially completed.

9. The contract between the Utility and the Engineer should require the Engineer to provide general engineering supervision and full-time resident inspection to insure that the construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

10. The Commission further finds within sixty (60) days of the date of substantial completion of the construction of this project, the Utility should require the Engineer to furnish this Commission with a copy of the "As-Built-Plans" and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

ORDERS IN THIS MATTER

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the Utility be and it is hereby granted a Certificate of Public Convenience and Necessity for construction of the proposed improvements to its existing water system in the area set forth in the application and in accordance with the contract plans and specifications filed in this record.

IT IS FURTHER ORDERED that the existing rates and charges of the Utility as initially set forth by Order entered May 19, 1971,

in Case No. 5522 and subsequently modified by order entered April 21, 1975, in Case No. 6209, shall be ratified and remain in effect until such time as they are changed by this Commission.

IT IS FURTHER ORDERED that the Utility be and it is hereby authorized to finance this construction project and some additional improvements with \$72,000 from its accumulated funds for this project and a \$209,000 FmHA loan at the best interest rate available at the time the loan is closed. Further, that this \$281,000 in project funds shall be used only for the lawful objects as set forth in the application. Further, that plans for additional improvements that are to be financed with these funds shall be submitted to this Commission for approval before construction work thereon is begun.

IT IS FURTHER ORDERED that the Utility shall file with this Commission a duly verified document or documents which show the total cost of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) in accordance with Finding No. 7 within sixty (60) days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the contract between the Utility and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident inspection to insure that the contractor's construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED that the Utility shall require the Engineer, within sixty (60) days of the date of substantial completion of the proposed construction, to furnish this Commission with a copy of the "As-Built-Plans" and a certification that the

construction has been satisfactorily completed and was done in accordance with the contract plans and specifications.

Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 17th day of April, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Voth
Chairman

Katherine Randall
Vice Chairman

Jim Hargan
Commissioner

ATTEST:

Secretary